



Director of
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USSR: Emphasis on Orderly Transfer of Power

The Soviets are taking pains to stress the unity of the leadership, the cohesiveness and strength of the Soviet state, and the continuity of policy in the transition period. The mass outpouring of popular esteem at Brezhnev's funeral is designed to impress all observers with the power and legitimacy of the Soviet state.

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In conversations with foreigners, Soviet officials are taking a business-as-usual approach. The Soviet Ambassador in Sanaa, for example, told the US Ambassador that Soviet Embassies have been instructed to stress policy continuity and a desire to move ahead with arms control negotiations.

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The USA-Canada Institute in Moscow reportedly has confirmed dates for US-Soviet panel discussions on economic and security issues early next year and has indicated that Institute Director Arbatov will be available to chair the panels. Arbatov's earlier claim that his busy schedule would prevent his full-time participation had resulted in an indefinite postponement of the panels.

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Soviet First Deputy Premier Arkhipov told Japanese journalists in Moscow that the Soviets will not take a "single step" away from the Brezhnev line in domestic and foreign policy. Following Chernenko's pointed reference at the plenum to Andropov's "passion" for collectivity, Arkhipov said that collective leadership would be the operating principle of the post-Brezhnev regime.

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Still Some Maneuvering

Chernenko stood third after Andropov and Tikhonov in the lineup at Brezhnev's wake. Kirilenko was present but did not appear with the leadership group.

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Comment: Chernenko's continued prominence since Brezhnev's death suggests that he may remain a key leader, at least for the immediate future. Kirilenko's presence indicates that his decline has been due primarily to political rather than health problems.

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Comments by the Media and Military Leaders

The editorial by the military paper *Krasnaya Zvezda* on Brezhnev's passing had a somewhat different emphasis than *Pravda*'s editorial. *Pravda* made only scant reference to the "defense might" of the Soviet Union, while *Krasnaya Zvezda*

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replayed Andropov's statement that imperialists will "never" be ready for peace and that peace can be defended only by Soviet military power. *Krasnaya Zvezda*, however, endorsed a policy of "self-restraint" in pursuing detente and disarmament--a theme Andropov had not mentioned. [redacted]

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Soviet Defense Minister Ustinov and other military leaders who have made speeches or written articles in honor of Brezhnev's passing have praised his strong personal contribution to building Soviet military strength and have called on the military to rally around the party leadership. Chief of Staff Ogarkov and some other senior military officials have not yet delivered tributes to Brezhnev. [redacted]

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Comment: Ogarkov has recently seemed dissatisfied with parts of the regime's national security policy and may not wish to associate himself with what is being said. [redacted]

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Foreign Representation at the Funeral

China's outgoing Foreign Minister Huang Hua will represent his country in Moscow. Yugoslavia is sending only second-ranking Communist party officials along with state leaders. [redacted]

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Comment: Huang's choice as China's representative suggests that Beijing wants to emphasize its improved relations with Moscow without arousing concern that it is prepared to resume party contacts. While his designation as a state official rather than a party representative is proper, the Chinese have underscored the modest level of their representation compared to the US, Japan, and other Western countries. Nonetheless, Huang remains the highest ranking Chinese official to visit the Soviet Union since the 1960s. [redacted]

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Yugoslavia's level of representation reflects the reserve in its relations with the USSR. Official condolence messages and press commentary have stressed a bilateral relationship based on principles of complete independence and mutual respect. [redacted]

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Pakistan's President Zia has requested a meeting with Vice President Bush while both are in Moscow. Zia probably hopes to gain a pre visit preview of government thinking on US-Pakistan issues. [redacted]

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CARIBBEAN: Summit Meeting

Heads of government of the 12 English-speaking Caribbean Community members will meet today in Jamaica in the first such session since 1976. [redacted]

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//Contentious topics of discussion will include Grenada and other regional security concerns, the Guyana-Venezuela border dispute, and the Caribbean Basin Initiative. [redacted]

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//Prime Minister Bishop of Grenada reportedly will stay only one day, but his attendance will enable his colleagues to voice their concerns about Grenada's steady drift into the Soviet-Cuban camp. [redacted]

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//President Burnham of Guyana intends to press for public community support for his country's position in its border dispute with Venezuela. [redacted]

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Comment: Although Seaga and Barbadian Prime Minister Adams evidently favor getting tough with Bishop, there is no real consensus in the Community for stronger measures against Grenada. Discussion of Grenada probably will be confined to closed-door meetings, during which the Caribbean leaders are likely to reproach Bishop for his government's refusal to hold elections and to respect human rights. [redacted]

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The leaders' reservations about Guyana's electoral and human rights practices also will prevent them from issuing a strong Community endorsement of Georgetown's position in the border dispute. In the context of regional security discussions, however, the leaders probably will express opposition to the use of force by Venezuela and encourage international adjudication. [redacted]

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FRANCE: New Protectionist Restrictions

The French are trying to deal with record trade deficits by restricting some imports, which is alarming their trading partners. [redacted]

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June produced the worst deficit in French history. September was almost as bad. [redacted]

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Late last month France suspended purchases of oil from the USSR, which provides over 5 percent of its oil imports. The government allowed purchases within a week but at a lower rate. Foreign Trade Minister Jobert has warned that Paris may reconsider its deal to purchase Soviet natural gas if the USSR does not reduce its trade surplus by buying more French goods and services. [redacted]

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The French also have announced requirements that all imports will now have to carry labels indicating the country of origin and that all documentation be in French. The regulations impose administrative barriers to imports, and the EC Commission is challenging the legality of these measures. [redacted]

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Another new regulation requires all imported video tape recorders to pass through customs in a town in central France, which will cause delays and lead to higher costs. Japan which provides practically all these machines, is the only country affected thus far. France's EC partners fear, however, that similar moves could affect their products. [redacted]

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Comment: France's total deficit for the year probably will be about \$14 billion, twice that of 1981. US trade has been largely unaffected thus far by these protectionist measures. If Paris continues to restrict imports through nontariff means, US exports of grain, coal, computers, aircraft, and other goods may face new impediments. France's concern about its trade deficit is likely to stiffen the country's negotiating position in the coming GATT and COCOM talks. [redacted]

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ITALY: Search for New Prime Minister

President Pertini accepted Prime Minister Spadolini's resignation this weekend in a move that acknowledged his failed attempt to forestall a cabinet crisis. Pertini had hoped that the coalition partners would come to terms rather than risk ousting Spadolini during a formal confidence vote and hurting their chances at the polls. The President will begin consultations on the choice of a new prime minister today.

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Comment: Negotiations may drag on for several weeks. Pertini is expected to turn first to the Christian Democrats for a new prime minister, and Senate President Fanfani has figured prominently in press speculation. Former Prime Minister Forlani, however, is probably the candidate most acceptable to the Christian Democrats and the Socialists, the two largest groups in the coalition. Although Pertini hopes that the new government will last through the end of the legislature in 1984, it is likely at best to provide only interim leadership until national elections some time between February and June.

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ISRAEL: Begin's Reaction to Wife's Death

Prime Minister Menachem Begin has canceled the rest of his US tour and his planned meeting with President Reagan following his wife's death yesterday. After the traditional 30-day mourning period Begin will resume political activity and will want to return to Washington for his meeting with the President.

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Comment: //Begin's relationship with his wife--a hardline Zionist in her own right--was extremely close, and his grief will be intense. The Prime Minister already is under pressure from the judicial inquiry into the massacre in Beirut, and his wife's death will create additional stress that could affect his fragile health. After the mourning period, Begin probably will commit himself even more intensely to safeguarding the security of Israel.//

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USSR-POLAND: Soviets Modify Aid

Polish Planning Commission Chairman Obodowski, after visiting Moscow early this month, announced that the Polish trade deficit with the USSR for 1983 will be the same as that originally agreed to for this year, 1.2 billion rubles. Moscow has agreed to permit the Poles to substitute machinery sales to the USSR for deliveries of food and consumer goods. The Soviets also have reduced the payment the Poles must make for some raw materials sent to Poland to replace Western materials. Meanwhile, Polish Vice Premier Madej says Poland's actual trade deficit with the USSR this year will be 1 billion rubles.

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Comment: Moscow needs to conserve its hard currency and is refusing to extend large hard currency loans to Warsaw. It wants to assist the Polish economy, however, and is providing some additional important raw materials to Poland's industry. The reduction in Poland's trade deficit this year reflects cutbacks in machinery imports originally destined for Polish industrial projects that have been suspended.

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MEXICO: IMF Negotiations

To obtain a \$3.84 billion, three-year loan from the IMF, Mexico has tentatively agreed to cut the public-sector budget deficit from 17 percent of GDP this year to 8.5 percent of GDP next year and 3.5 percent of GDP by 1985. The government also has agreed to changes in wage, interest, and exchange policies. According to the agreement, specific policy adjustments to meet the terms of the accord are to be put forward by the new administration.

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Comment: President-elect de la Madrid probably has a slightly better than even chance of reining in the economy enough to satisfy the terms of the accord, but he will have difficulty forming a consensus for a tough stabilization program. Opposition to austerity measures is likely to come from government-affiliated labor unions, which will see real wages fall next year, and from the leftist opposition, which believes the IMF program sacrifices national sovereignty. Mexico has an effective security apparatus that could contain public disorders if they develop, but it is not clear if de la Madrid is inclined to use strong-arm measures. While de la Madrid's background has prepared him to tackle the technical aspects of the economic crisis, he has yet to demonstrate the political ability needed to inspire the public support essential for a successful econom program.

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WEST GERMANY: Social Democrats on INF

Several key Social Democrats, including chancellor-candidate Vogel and arms control expert Bahr, are attacking Defense Minister Woerner's contention that US-Soviet arms control talks could proceed even after INF deployments have begun. Vogel implies that Woerner reduced pressure on the US to negotiate by suggesting during his visit to Washington that missiles would be deployed automatically if the talks fail. Vogel says the Social Democrats will consider opposing deployment of the weapons if the US does not undertake "strenuous efforts to make the deployment superfluous." [redacted]

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Comment: //The Social Democrats will attack and try to exploit statements that appear to deviate from the general consensus in West Germany that maximum pressure should be maintained on both superpowers to negotiate. It is not likely, however, that the Social Democrats will move soon to oppose INF deployment. Most Social Democrats--like the Christian Democrats--probably hope to keep INF from becoming an election issue and will avoid any party decision opposing deployments.// [redacted]

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INTERNATIONAL: Cuba Challenged in Nonaligned Movement

Cuba was unable to prevent the softening of the anti-US tone of the annual UN Ministerial communique issued by the Nonaligned Movement late last month. Moderate nations stopped the strongly anti-US statement of last year from being repeated. Cuba, however, managed to prevent a group of over 20 African countries from including direct criticism of the Soviet invasion of Afghanistan. [redacted]

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Comment: The moderate majority in the Nonaligned Movement is becoming increasingly assertive and is likely to try to take control when Cuba relinquishes the chairmanship at the Summit in New Delhi next March. Havana probably intends to use the ministerial conference set for January in Nicaragua to make US policy in Central America a key item on the agenda at the coming Summit. [redacted]

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HONDURAS-NICARAGUA: Foreign Minister Visits Nicaragua

Honduran Foreign Minister Paz Barnica denied that Honduras was planning to invade Nicaragua in statements to the press after his meeting with Nicaraguan leaders in Managua on Friday. He also said Honduras would take measures to deal with foreigners who violate its neutrality. Paz deflected a Nicaraguan proposal for a bilateral meeting between heads of state by calling for additional lower level meetings first.

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Comment: The Foreign Minister's sudden visit probably was intended to counter both Nicaraguan propaganda about Honduran unwillingness to negotiate and recent allegations in US media about US and Honduran support for anti-Sandinista groups. The visit also allows the Hondurans to take the initiative before the opening of the OAS General Assembly today. Although the Nicaraguans clearly welcomed the opportunity to stress their concern about the recently increased level of anti-Sandinista attacks in the border region, the meeting does not signal a change in the Honduran position on the need for broader regional peace negotiations.

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CHINA-UK: Contract for Naval Missile

//A British news service reports that China has signed a contract worth more than \$170 million to have the UK equip destroyers being built in China with an air defense missile and advanced electronics. US attaches in Hong Kong say the British are to install the Sea Dart missile as well as sensors, early warning and fire control radars, and electronic warfare equipment on two new Luda-class destroyers.//

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Comment: //The contract is one of the largest arms agreements China has concluded with a Western country, and it may signal the beginning of a renewed drive to acquire Western weapons and technology. The reported cost of the contract is much lower than the \$370 million previously quoted and may indicate the deal is less comprehensive than originally planned. The modernized destroyers will improve the capabilities of China's fleet when they become operational in the mid-1980s.//

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